

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, September 21, 2011 – 2:00 p.m. – Room 445 State Capitol

Members Present:

Sen. Curtis S. Bramble, Senate Chair
Rep. Patrick Painter, House Chair
Sen. J. Stuart Adams
Sen. Benjamin M. McAdams
Sen. Howard A. Stephenson
Sen. John L. Valentine
Rep. David G. Butterfield
Rep. David Clark
Rep. Tim M. Cosgrove
Rep. John Dougall
Rep. Susan Duckworth
Rep. Gage Froerer
Rep. Wayne A. Harper
Rep. Eric K. Hutchings

Rep. Michael T. Morley
Rep. Jim Nielson
Rep. Larry B. Wiley
Rep. Carl Wimmer

Members Absent:

Sen. Wayne L. Niederhauser

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Chelsea B. Lloyd, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Bramble called the meeting to order at 2:56 p.m.

MOTION: Rep. Painter moved to approve the minutes of the July 20, 2011 meeting. The motion passed unanimously. Rep. Clark, Rep. Dougall, Rep. Hutchings, and Rep. Morley were absent for the vote.

2. Research and Development Tax Credits

Ms. Rockwell reviewed 2012 General Session draft legislation, “Research Tax Credit Amendments” (2012FL-0325/002), which was distributed to the Committee prior to the meeting.

Chair Bramble explained that action on the bill will take place at a future meeting.

3. Energy Tax Incentives

This item was not discussed.

4. Municipal Finance

Rep. Painter reviewed the local government impacts of sales and use tax exemptions and sourcing provisions enacted in recent years. He explained the Committee's efforts last year to address mining equipment tax exemptions which affected Wellington City. He commented that Wellington City has an estimated one-million-dollar-bond debt to the Community Impact Board (CIB). He encouraged the Committee to address the issue by waiving the debt obligation that Wellington City owes to the CIB.

Mayor Ben Blackburn, Wellington City, encouraged the Committee to relieve Wellington City from its bond debt.

Mr. Lincoln Shurtz, Utah League of Cities and Towns, clarified the difference between point-of-sale and point-of-delivery sourcing in sales and use taxes.

The Committee discussed the proposal from Rep. Painter and Wellington City.

Mr. Dean distributed "Wellington City Sales & Use Tax Information."

MOTION: Rep. Painter moved to direct staff to draft legislation requiring that the CIB forgive all, or a substantial portion, of a bond required to be repaid by Wellington City to the Permanent Community Impact Fund. The motion passed with Rep. Butterfield, Rep. Harper, and Rep. Nielson voting in opposition. Sen. Bramble, Rep. Clark, and Rep. Dougall were absent for the vote.

5. Property Tax - Personal Property Exemption

Rep. Painter discussed increasing a property tax exemption for certain personal property and the possible tax shifts that may occur. He stated that this change would provide for a less burdensome audit process for small businesses.

Mr. Dean distributed "Business Personal Property in Selected Counties." The document showed selected counties in Utah and possible effects of the proposed property tax exemption at different dollar thresholds.

Ms. Rockwell reviewed "Utah Constitutional and Statutory Provisions -- Property Tax Exemption for Property That Would Generate Inconsequential Amount of Revenue."

Ms. Candace Daly, State Director, National Federation of Small Business, commented on the extensive audit process for small businesses and encouraged the Committee to consider the proposal presented by Rep. Painter.

Mr. Lee Gardner, Salt Lake County Assessor, explained the importance of reporting personal property in both large and small businesses and the importance of auditing.

Mr. Allen Tippetts, Personal Property Director, Salt Lake County, spoke to the cost-effectiveness of the audit process. He commented that the personal property exemption discussed today will affect each county differently.

6. Water Project Financing

Rep. Patrick Painter presented "Statewide Water Needs and Future Estimated Costs." He explained water project financing needs in the state and possible financing options.

7. Sales and Use Tax

Rep. Harper reviewed 2011 General Session Second Substitute H.B. 35, "Sales and Use Tax Act Revisions." He explained issues with the fiscal note on the bill and the need to clarify sales and use taxes related to computer software.

Mr. Richard Nelson, Utah Technology Council, explained the need to address this issue because of the growing field of technology.

8. Film Studio Economic Impact

Mr. Britt Penrod, Raleigh Studios, distributed "Raleigh Studios Worldwide." He introduced the company and explained the economic incentive for Utah to have a film studio located within the state.

Mr. Don Bradford, Universal CityWalk, explained the large demand for film studio development throughout the country. He encouraged the Committee to consider Raleigh Studios for future film studio needs.

9. Sunset Review - Recycling Market Development Zone Tax Credits

Mr. Michael Rush, Western Metals Recycling, explained the progress within the recycling industry and how Utah's recycling tax credits were an incentive for the location of the state-of-the-art plant in Plymouth, Utah.

MOTION: Rep. Harper moved to direct staff to draft legislation to extend the repeal dates for the recycling market development zone tax credits to 2021. The motion passed unanimously. Sen. McAdams, Sen. Valentine, Rep. Dougall, Rep. Froerer, Rep. Hutchings, Rep. Morley, and Rep. Wimmer were absent for the vote.

10. Other Items / Adjourn

MOTION: Rep. Clark moved to adjourn the meeting. The motion passed unanimously. Sen. McAdams, Sen. Valentine, Rep. Dougall, Rep. Froerer, Rep. Hutchings, Rep. Morley, and Rep. Wimmer were absent for the vote.

Chair Bramble adjourned the meeting at 4:59 p.m.